

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

SSO-00 NSCE-00 INRE-00 SS-15 NSC-05 OES-06 /110 W

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O R 071108Z JUL 76

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TO SECSTATE WASH DC IMMEDIATE 2762

INFO ALL OECD CAPITALS 0347

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E.O. 11652: N/A

TAGS: ETRD, EFIN, OECD

SUBJECT: JULY 6 MEETING OF XCSS: EAST-WEST ECONOMIC
RELATIONS

1. SUMMARY: OECD'S EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS) WELCOMED US INITIATIVE TO UNDERTAKE FRESH EXAMINATION OF EAST-WEST ECONOMIC RELATIONS AND COMMISSIONED SECRETARY GENERAL TO DO FACTUAL PAPER TO ENABLE GROUP, AT ITS NEXT MEETING, TO ADDRESS REAL SUBSTANCE OF THE ISSUE. WHILE VIRTUALLY EVERY DEL SOUNDED NOTE OF CAUTION, A NUMBER SUGGESTED ADDITIONAL TOPICS THAT EXERCISE COULD COVER, SUCH AS INVESTMENT, SHIPPING, AND FISHING. DELS HAVE BEEN INVITED TO PROVIDE SECRETARIAT WITH ANY FACTUAL INFORMATION ON E-W ECONOMIC RELATIONS WHICH THEY THINK WOULD BE USEFUL IN PUTTING TOGETHER NOTE FOR NEXT MEETING. WE SHOULD ACCEPT THE INVITATION IMMEDIATELY. END SUMMARY.

2. US DEL (UNDER SECRETARY ROGERS) OPENED XCSS DISCUSSION BY AMPLIFYING ON SECRETARY KISSINGER'S EAST-WEST

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REMARKS AND NOTING NEED TO BETTER UNDERSTAND IMPLICA-

TIONS OF GROWING ROLE OF USSR AND E. EUROPE IN WORLD ECONOMY. HE STRESSED THE DESIRABILITY OF ASSURING THAT THE GROWING ECONOMIC ROLE OF THE EAST WORKED TO THE ADVANTAGE, RATHER THAN THE DISADVANTAGE, OF THE WEST. HE MENTIONED RECIPROCITY AND DUMPING AS TRADE ISSUES OF PARTICULAR INTEREST, PLUS DEBT, ENERGY, AND FOOD, EMPHASIZING THAT US PROPOSAL WAS INTENDED TO BE CONSTRUCTIVE AND NOT CONFRONTATIONAL. US WAS NOT INSISTING THAT XCSS DECIDE AT THIS TIME THAT OECD "ACTION" WAS WARRANTED IN ANY PARTICULAR AREA, HE SAID, AND THERE SHOULD BE NO PREJUDICE TO ANY MEMBER GOVERNMENT'S POLICIES FOR THE OECD TO BECOME SEIZED OF THE QUESTION. US DEL URGED AS FIRST STEP THAT OECD SECRETARIAT DO PRELIMINARY PAPER ON BASIC DATA ON E-W ECONOMIC RELATIONS AND ROLE IN THE WORLD ECONOMY, TAKING AN INTEGRATED APPROACH TO THE QUESTION, WHICH COULD BE DISCUSSED AT NEXT XCSS. AT THIS TIME GROUP COULD CONSIDER WHAT SORT OF WORK PROGRAM WOULD BE APPROPRIATE TO LEAD UP TO THE 1977 MINISTERIAL MEETING.

3. ALMOST ALL OTHER DELS WELCOMED US INITIATIVE (EXCEPT FOR SWEDEN AND, TO SOME EXTENT FINLAND, AS NOTED BELOW) AND IN THE SAME BREATH URGED CAUTION. THEY GENERALLY ENDORSED US PROPOSAL FOR SECRETARIAT PAPER. EC COMMISSION REP (HIJZEN) SAW LITTLE LIKELIHOOD THAT OECD COULD DO ANYTHING ABOUT RECIPROCITY QUESTION, AND POSITIVE HARM IF IT GOT INVOLVED IN POLITICAL DIMENSION, BUT URGED THAT ISSUES OF INDUSTRIAL COOPERATION, DEBT, AND BALANCE OF PAYMENTS BE INCLUDED IN ORGANIZATION'S WORK. HE SAID SECRETARIAT PAPER SHOULD BE A GENERAL ONE AND THAT IN FUTURE OECD WOULD HAVE TO CONCENTRATE WORK ON AREAS WHERE IT COULD HOPE TO PLAY A USEFUL ROLE, RATHER THAN ENTIRE SPECTRUM OF E-W ECONOMIC RELATIONS. JAPAN (YOSHINO) SUPPORTED US PROPOSAL AND SUGGESTED INVESTMENT, PARTICULARLY BANKING, BY EAST BE ADDED TO SUBJECTS OF CONSIDERATION. NORWAY POINTED OUT VERY RAPID GROWTH OF USSR ROLE IN WORLD SHIPPING, CITING UNDERBIDDING BY SOVIET SHIPS FOR NORTH ATLANTIC CARGO AS SERIOUS PROBLEM. UK AND DENMARK SUPPORTED NORWAY'S SUGGESTION THAT THIS LIMITED OFFICIAL USE

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SUBJECT BE INCLUDED IN STUDY. SPAIN ADDED FISHING.

4. BARRE DE NANTEUIL (FOR FRANCE, WHICH HAS ERECTED TEMPORIZING INTO A HIGH DIPLOMATIC ART HERE) URGED GROUP BE CAUTIOUS ABOUT LAUNCHING INTO STUDY WHICH WOULD BE TOO BROAD, AND PROPOSED THAT MANDATE FOR ANY IN-DEPTH WORK BY SECRETARIAT SHOULD BE SUBJECT TO CAREFUL SCRUTINY. AUSTRIA, SWITZERLAND, BELGIUM, NETHER-

LANDS, NEW ZEALAND, IRELAND, ITALY, AND AUSTRALIA GAVE
US GENERAL SUPPORT. (CANADA DID NOT SPEAK BUT TOLD
US PRIVATELY THEY SUPPORTED US INITIATIVE AND WERE
PARTICULARLY INTERESTED IN QUESTION OF EXPORT CREDITS.)
NUMBER OF DELS MENTIONED DESIRABILITY OF TAKING ACCOUNT
OF ECE ACTIVITIES, AVOIDING DUPLICATION WITH THESE,

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AND ALSO OF KEEPING SUBJECT IN XCSS FOR SOME TIME YET
BEFORE COMMISSIONING WORK BY OTHER BODIES OF OECD.

5. SWEDISH INTERVENTION TOWARD END OF DISCUSSION
CATALOGED HER RESERVATIONS ABOUT US APPROACH. WHILE
ADMITTING THERE MIGHT BE SOME PROBLEMS IN E-W ECONOMIC
RELATIONS WHICH MERITED ATTENTION BY OECD, SWEDISH DEL
(DENNIS) ARGUED STRONGLY THAT THESE SHOULD BE DEALT
WITH BY EXISTING BODIES ON PRAGMATIC BASIS WHEN THEY
Arose. HE STRESSED DIFFERING POLITICAL AND SECURITY
INTERESTS OF OECD MEMBERS, COMPLICATIONS WHICH MIGHT

ARISE FOR WORK IN ECE, AND POSSIBILITY THAT OECD
EFFORTS MIGHT BE MISUNDERSTOOD IN CONTEXT OF FOLLOW UP
TO HELSINKI CONFERENCE. DENNIS SUGGESTED SECRETARY
GENERAL, RATHER THAN DEVELOP FACTUAL INFORMATION, SHOULD
DO A PAPER FOR THE NEXT XCSS ON A POSSIBLE MANDATE HE
MIGHT RECEIVE FOR COLLECTING SUCH INFORMATION SOME TIME
LATER. FINNS NODDED IN SWEDEN'S DIRECTION, BUT WERE
WILLING TO GO ALONG WITH REST OF GROUP AND ACCEPT
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CHAIRMAN'S (JOLLES) SUMMATION WHICH HAS SECRETARIAT
DOING PRELIMINARY FACTUAL STUDY NOW, AND XCSS CONSIDER-
ING POSSIBLE MANDATE FOR MORE IN-DEPTH WORK AT NEXT
MEETING. SWEDES DID NOT RELENT IMMEDIATELY, BUT URGED
GROUP TO ACCEPT A MORE GLACIAL PACE. THE SIGNIFICANCE
OF SWEDEN'S EFFORT CAME CLEAR WHEN IT TURNED UP NO
REAL SUPPORT ANYWHERE ELSE. THE SWEDISH DELEGATION
FINALLY WITHDREW THE OBJECTION WITH CUSTOMARY NORDIC
GRACE.
TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, EAST WEST TRADE, ECONOMIC DEVELOPMENT, MEETING REPORTS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OECDP19706
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760261-0536
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760784/aaaacvpt.tel
Line Count: 193
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2004 by CollinP0>; APPROVED <13 SEP 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JULY 6 MEETING OF XCSS: EAST-WEST ECONOMIC RELATIONS
TAGS: ETRD, EFIN, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006